

Message Text

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SUBJECT: PROGRAM HIGHLIGHT

1. VOLUNTARY SPEAKER PROF. MILTON FRIEDMAN PARTICIPATED IN A PANEL DISCUSSION ON "INFLATION: OUTLOOK AND REMEDIES" AT THE AMERICAN LIBRARY IN BRUSSELS SEPTEMBER 9. OTHER PANEL MEMBERS INCLUDED PROF. HENRI SIMONET, VICE-PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES, PROF. ANTON BARTEN OF LEUVEN (K.U.L.) AND PROF. FERNAND HERMAN OF LOUVAIN (U.C.L.) ONE HUNDRED AND EIGHTY KEY MEMBERS OF THE FINANCIAL, GOVERNMENT, ACADEMIC, BANKING AND BUSINESS COMMUNITIES AS WELL AS MEDIA REPRESENTATIVES ATTENDED THE DISCUSSION.

2. IN HIS INTRODUCTORY REMARKS PROF. FRIEDMAN SAID THE ONLY CURE FOR INFLATION WAS TO SLOW DOWN THE RATE OF GROWTH OF TOTAL GOVERNMENT SPENDING. HE FIRMLY RULED OUT WAGE AND PRICE CONTROLS WHICH HE TERMED PART OF THE DISEASE, RATHER THAN A REMEDY. HE ALSO ADVOCATED INDEXATION OF GOVERNMENT TAXES AND GOVERNMENT BORROWING AS SEDATIVES TO REDUCE THE PAINFUL SIDE-EFFECTS OF CURING INFLATION, BUT STRESSED THAT NONE OF THOSE SEDATIVES WOULD ELIMINATE THE NECESSITY FOR WHAT HE TERMED THE

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"MOST FUNDAMENTAL INGREDIENT OF ALL: A PUBLIC UNDERSTANDING OF

THE PROBLEM AND A WILLINGNESS ON THE PART OF THE PUBLIC TO BEAR THE INEVITABLE COST."

3. PROF. SIMONET SAID THE PRESENT INFLATION IS A STRUCTURAL, RATHER THAN CYCLICAL PROBLEM AND THAT IT IS POLITICALLY NOT FEASIBLE TO ATTACK INFLATION WITH STRINGENT MEANS. A GOVERNMENT DOING THIS WOULD CONDEMN ITSELF. PROF. HERMAN ASSERTED THAT ECONOMIC THEORY HAD FAILED AND THAT A NEW CONSENSUS WAS NECESSARY ON THE OBJECTIVES SOCIETY MUST PURSUE. THUS, INFLATION IS MORE OF A POLITICAL AND SOCIOLOGICAL PROBLEM, HE FELT. PROF. BARTEN EMPHASIZED INTERNATIONAL FACTORS IN THE PRESENT INFLATION. IN REPLYING, PROF FIEDMAN DENIED THIS AND TERMED THE REMARKS OF THE OTHER PANEL MEMBERS AS LACKING REALISM. HE QUOTED THE EXAMPLE OF BRAZIL, WHERE THE INFLATION RATE, HE SAID, DROPPED FROM 100 PER CENT IN 1964 TO 15-20 PER CENT IN 1974. NOR IS A DICTATORSHIP NEEDED TO ACHIEVE THIS -- ONLY A STRONG GOVERNMENT, WHICH CAN ALSO DERIVE ITS STRENGTH FROM THE CONSENT OF THE GOVERNED. HE CONCLUDED BY SAYING THAT IT IS NOT TRUE THAT INFLATION IS AN INTERNATIONAL PROBLEM: EACH COUNTRY CAN KEEP IT OUT OF ITS BORDERS BY FLOATING ITS CURRENCY, WHICH AMOUNTS TO A KIND OF INDEXATION OF THE EXCHANGE RATE; THAT TRADE UNIONS CANNOT BE BLAMED FOR CAUSING INFLATION -- THEY ONLY REFLECT INFLATION -- AND THAT INDEXATION ITSELF IS NOT A SOURCE OF INFLATION.

4. PROF. FRIEDMAN' S REMARKS RECEIVED EXTENSIVE COVERAGE IN THE MEDIA. FRENCH- LANGUAGE (RTB) TV CARRIED 2 1/2 MINUTE INTERVIEW WITH PROFESSOR IN PRIME TIME EVENING NEWSCAST. ,PORTIONS OF THE INTERVIEW WERE ALSO BROADCAST IN THE NOON NEWS MAGAZINE OF FRENCH-LANGUAGE RADIO. SEVERAL MAJOR PAPERS -- INCLUDING SUCH LEADING DAILIES AS CATHOLIC DE STANDAARD AND CONSERVATIVE CATHOLIC LA LIBRE BELGIQUE AS WELL AS FINANCIAL JOURNALS LIKE TIJD AND ECHO DE LA BOURSE - CARRIED LENGTHY REPORTS, FREQUENTLY ILLUSTRATED WITH A PICTURE OF THE PROFESSOR AND HIGHLIGHTING HIS REMARK THAT THE ONLY CURE IS CURBING TOTAL GOVERNMENT SPENDING AND THAT INDEXATION SHOULD BE APPLIED ACROSS THE BOARD. FOUR PAPERS OBSERVED THAT ENTERING ARENA AGAINST PROF. FRIEDMAN WAS " A TOUGH JOB... LIKE A BOXING BOUT AGAINST CASSIUS CLAY," AND THAT THE OTHER PANEL MEMBERS HAD TO EXPERIENCE THIS. WIDELY-READ CATHOLIC GAZET VAN ANTWERPEN IN UNCLASSIFIED

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ADDITION TO LENGTHY REPORT ON FRIEDMAN' S REMARKS, CARRIED INTERVIEW WITH FORMER STUDENT OF PROFESSOR WHO DREW EXTREMELY FAVORABLE PORTRAIT OF CHICAGO PROFESSOR UNDER HEADING "FRIEDMAN, A LEADING ECONOMIST".
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